



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

November 5, 2009

To: Supervisor Don Knabe, Chair  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
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Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## SEPTEMBER 22, 2009 BOARD MOTION – ITEM 50-A GROUP HOME/FOSTER FAMILY AGENCY DISALLOWED COSTS AND PROGRAM FUNDING OPTIONS

On September 22, 2009, on motion of Supervisor Ridley-Thomas, your Board instructed the Chief Executive Office (CEO) to: 1) Review the issues of disallowed costs associated with audits of group homes/foster family agencies (GH/FFA), including a review of policy guidelines and a corrective action plan to correct all irregularities; and create a workgroup to include the departments of the Auditor-Controller (Auditor), County Counsel, and Children and Family Services (DCFS) to provide an updated list of those agencies that are out of compliance, and determine if it is feasible to collect from such agencies; and 2) Work with DCFS and the Association of Community Human Service Agencies (ACHSA) to meet and discuss the feasibility of developing new and innovative programs with GH/FFAs using existing funding to help mitigate the impact of the ten percent State reductions in their funding rates and report back in 30 days.

### Disallowed Costs

Meetings of a workgroup, consisting of the representatives of the CEO, Auditor, County Counsel, DCFS and the Treasurer-Tax Collector (TTC) have been convened on several occasions for the purpose of carrying out your Board's directives. The efforts to date have included a detailed review of the GH/FFA fiscal audit report settlement process; analysis of the procedures used in collection of questioned costs; examination of the process used to write-off bad debts related to disallowed costs; and review of the roles and responsibilities of the TTC and DCFS in the collection process. Additionally, County Counsel has examined possible alternatives available to the County to recover

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disallowed costs, such as the ability to withhold current payments to recoup disallowances, including the possibility of holding Directors and Officers of GH/FFAs personally liable. The workgroup is also exploring the viability of not contracting in the future with GH/FFA Directors and Officers that have gone out of business (thus thwarting efforts at recoupment), only to subsequently re-establish business under another name.

Analysis to date revealed the need for the following:

1. Revision of the audit report settlement process to shorten timelines and improve effectiveness. This is contingent on the outcome of County Counsel's analysis as to applicability of SB 84 to the fiscal audits;
2. DCFS need for a technical in-house audit manager and support staff to provide an appropriate structure to better comply with the contract fiscal audit process, achieve timely corrective action plans, and audit settlements (using existing resources);
3. Once disallowed costs are identified and the audit report is issued, DCFS will make demand for full payment. If the GH/FFA does not make the full payment, the account should immediately be referred to TTC. TTC should then negotiate a repayment plan with the GH/FFA; and
4. The Auditor's increased involvement in the report settlement process, including working with DCFS up to the point where DCFS is ready to prepare its corrective action plan.

Please note that a briefing on these issues was provided to the County's Audit Committee at a special meeting on October 7, 2009. While progress has been made in terms of determining the problems with the current system, we are still working on developing suitable resolutions, and request a 30-day extension on this process.

#### **Feasibility of Developing New and Innovative Programs with GH/FFAs Using Available Title IV-E Child Welfare Reinvestment Funds**

Your Board directed DCFS, in conjunction with the CEO, to work with ACHSA on the development of new and innovative services and to assess the feasibility of using available funding to augment current GH/FFA contracts to pay for these services. The intent of this effort is to assist the GH/FFAs in dealing with the impact of the ten percent rate reduction imposed by the State effective October 1, 2009, by providing other services required by DCFS.

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To date, DCFS, Probation, ACHSA, and several GH/FFA representatives have participated in four meetings and a conference call for the purpose of identifying what new services could be provided. To date, the parties have not been able to reach consensus. The list of potential services identified by DCFS and Probation includes:

- Aftercare Services;
- Employment Services
- Family Finding/Engagement and Mentoring;
- Participation in Team Decision Making Meetings;
- Facilitated/Supervised Visitation (between parents and children);
- Resource Family Recruitment; and
- Pro-Social Skills for Youth.

All parties continue to work to find services upon which they can agree. In a recent move, ACHSA proposed that DCFS submit a written proposal for their consideration; DCFS is working on the response to this request. In an effort to resolve the impasse, the CEO will participate in all future negotiations. The next meeting with ACHSA is scheduled for today. We request that we be allowed an additional 30 days in order to try to reach consensus. At the end of the extended period, our Office will report back with a recommendation on an agreed upon list of additional services, or an update on the situation and whether or not we feel that a consensus is possible.

We will update your Board and provide a timeline once an agreement has been reached with ACHSA. Please let me know if you have any questions or your staff may contact Brian Mahan at (213) 974-1318.

WTF:JW  
BM:cvb

c: Executive Officer, Board of Supervisors  
Auditor-Controller  
County Counsel  
Department of Children and Family Services  
Treasurer and Tax Collector